

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 194455

66

ORIGIN OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 TRSE-00 /029 R

DRAFTED BY OPIC/F FRHILL

APPROVED BY EB/IFD/ OIA:RJSMITH

OPIC/P:MMAYS

EB/IFD/OIA:DHSTEBBING

NEA/PAB:MGJONES

AID/NESA/SA:CHREES (DRAFT)

----- 085483

P 152210Z AUG 75

FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD PRIORITY

INFO AMCONSUL KARACHI PRIORITY

AMCONSUL LAHORE PRIORITY

LIMITED OFFICIAL USE STATE 194455

E.O. 11652:N/A

TAGS: EFIN

SUBJECT: OPIC LOCAL CURRENCY LOANS TO RAFHAN MAIZE AND  
PREMIER TOBACCO

REF: ISLAMABAD 6886

1. AFTER BOSTWICK RETURN, REASONS FOR TURNDOWN OF THESE LOANS WERE DISCUSSED WITH SENIOR OPIC STAFF INCLUDING OPIC PRESIDENT MAYS. VARIOUS ALTERNATIVES, INCLUDING CURTAILMENT OF OPIC PROGRAMS AND ANY ACTIVE INVESTMENT PROMOTION EFFORTS WERE DISCUSSED. HOWEVER, RECOGNIZING THE SENSITIVITIES OF THE GOP ON THE SURPLUS LOCAL CURRENCY SUBJECT AND THE POSSIBILITY OF COUNTER PRODUCTIVE EFFECTS ON EXISTING U.S. INVESTMENTS IN PAKISTAN, OPIC HAS DECIDED TO SEEK FORMAL RECONSIDERATION OF THE MATTER IN LIGHT OF EARLIER UNDERSTANDINGS. THE FOLLOWING LETTER REFLECTS THE PERSONAL CONCERN AND DISILLUSIONMENT OF OPIC PRESIDENT MAYS AS TO THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 194455

ACTION OF GOP ON THESE LOANS AFTER HIS VISIT EARLIER THIS

YEAR WHEN ENCOURAGEMENT OF FOREIGN INVESTMENT AND USE OF OPIC LOCAL CURRENCY LOANS WAS POSITIVELY DISCUSSED. WOULD APPRECIATE EMBASSY DELIVER THE FOLLOWING TO SIRAJ YUSUF KHAN AND PROVIDE COPIES TO STATE BANK AND MINISTRY OF INDUSTRIES. OPIC WOULD APPRECIATE PROMPT GOP REPLY.

2. BEGIN UNCLASSIFIED. "MR. SIRAJ YUSUF KHAN, JOINT SECRETARY, EXTERNAL FINANCE WING, MINISTRY OF FINANCE. DEAR MR. KHAN: YOU MAY RECALL DURING MY VISIT TO PAKISTAN EARLIER THIS YEAR THAT WE DISCUSSED THE USE OF OPIC LOCAL CURRENCY LOANS AS ONE MEANS TO STIMULATE SUITABLE INVESTMENT PROJECTS FOR PAKISTAN. DURING THIS DISCUSSION, YOU INDICATED THAT SUCH LOANS IN MODERATE AMOUNTS, UP TO A TOTAL OF TEN TO FIFTEEN MILLION DOLLARS, WOULD BE NO PROBLEM. ON THIS BASIS, OPIC SUBSEQUENTLY AGREED TO LEND 19,800,000 PAKISTAN RUPEES TO RAFHAN MAIZE PRODUCTS CO., LTD. AND 11,917,200 PAKISTAN RUPEES TO PREMIER TOBACCO INDUSTRIES, LTD. WE WERE LED TO BELIEVE THAT THESE PROJECTS WERE NECESSARY AND DESIRABLE FOR PAKISTAN, HAD BEEN APPROVED IN ALL RESPECTS BY THE DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES, AND THAT THE STATE BANK OF PAKISTAN AND THE MINISTRY OF FINANCE HAD ALREADY GIVEN THEIR PRELIMINARY APPROVAL TO THESE LOANS THROUGH CIPCOC AND EVEN HIGHER APPROVAL PROCEDURES.

"BASED ON OUR EARLIER DISCUSSION AND THE AFOREMENTIONED APPROVALS, OPIC AND THE U.S. PARENTS OF THESE COMPANIES SPENT A GREAT DEAL OF TIME AND EFFORT ARRANGING FOR THESE LOANS. SINCE THE PROJECTS AND THEIR FUNDING HAD APPARENTLY BEEN APPROVED BY THE APPROPRIATE AUTHORITIES OF THE GOVERNMENT OF PAKISTAN, AND THE COMPANIES THEMSELVES HAD MADE ARRANGEMENTS AND PLANS BASED ON THE RECEIPT OF THESE LOANS, I WAS MOST DISAPPOINTED TO LEARN THAT THE STATE BANK HAD OBJECTED TO OPIC MAKING THESE LOANS. WHILE WE HAVE REVIEWED THE REASONS PROVIDED BY THE STATE BANK AND ARE AWARE OF OTHER GOVERNMENT OF PAKISTAN CONCERNS ABOUT U.S.-OWNED LOCAL CURRENCIES, WE CANNOT HELP BUT FEEL THAT THE AMOUNTS INVOLVED (EQUIVALENT OF U.S. 3.2 MILLION DOLLARS) ARE DE MINIMUS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 194455

"AS YOU ARE AWARE THESE LOANS WOULD REACTIVATE THE OPIC FINANCE PROGRAM IN PAKISTAN AND AS SUCH ARE VIEWED WITH INTEREST BY THE U.S. BUSINESS COMMUNITY AS A POSITIVE INDICATION OF THE PAKISTAN INVESTMENT CLIMATE. I AND MY STAFF WOULD BE MOST EMBARRASSED TO HAVE TO ADVISE THE U.S. BUSINESS COMMUNITY THAT OUR FIRST EFFORTS WERE REBUFFED BY YOUR GOVERNMENT. WHILE I RECOGNIZE YOUR GOVERNMENT'S CONCERN OVER THE DISPOSITION OF U.S. GOVERNMENT-OWNED RUPEES, I

BELIEVE IT WOULD BE USEFUL IF YOUR GOVERNMENT WERE TO RE-  
CONSIDER ITS DECISION. ONCE THESE LOANS WERE APPROVED WE  
COULD MAINTAIN A POSITIVE POSTURE TOWARD ASSISTING INVEST-  
MENT IN PAKISTAN BY SAYING THAT ALL THE OPIC PROGRAMS ARE  
OPERATIVE. VERY TRULY YOURS, MARSHALL T. MAYS, PRESIDENT,  
OVERSEAS PRIVATE INVESTMENT CORPORATION." END UNCLASSIFIED.  
DECONTROL AUGUST 15, 1976. SISCO

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGRICULTURE, TOBACCO, LOANS, FOREIGN INVESTMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MartinML  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE194455  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** F FRHILL  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750283-0608  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750847/aaaabpgy.tel  
**Line Count:** 122  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN OPIC  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 ISLAMABAD 6886  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MartinML  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 18 AUG 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <18 AUG 2003 by BoyleJA>; APPROVED <03 DEC 2003 by MartinML>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OPIC LOCAL CURRENCY LOANS TO RAFHAN MAIZE AND PREMIER TOBACCO  
**TAGS:** EFIN, PK, OPIC, RAFHAN MAIZE, PREMIER TOBACCO  
**To:** ISLAMABAD  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006